

Message Text

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SUBJECT: U.S. SHARE OF MEXICAN IMPORTS DECLINES

1. SUMMARY: U.S. SHARE OF MEXICAN IMPORTS FELL IN FIRST HALF OF 1978 WITH REFERENCE TO FIRST HALF OF 1977 FROM 61 PER CENT TO 54.5 PERCENT. DELIVERIES OF GAS PIPE BY FOREIGN SUPPLIERS ARE PROBABLY A MAJOR FACTOR BUT INCREASED FOREIGN COMPETITIVENESS IS ALSO LIKELY TO BE IMPORTANT. END SUMMARY.

2. INFORMATION RELEASED BY GOM STATISTICAL SOURCES SHOWS A 27 PERCENT INCREASE IN MEXICAN IMPORTS FOR THE FIRST SIX MONTHS OF 1978 OVER COMPARABLE PERIOD IN 1977 (FROM 54,610 MILLION PESOS TO 69,417 MILLION). IMPORTS FROM THE U.S. OVER SAME PERIOD INCREASED 13.3 PERCENT (FROM 33,350 MILLION PESOS TO 37,810 MILLION). HENCE BASED ON GOM STATISTICS U.S. SHARE OF MEXICAN IMPORTS DECLINED FROM 61 PERCENT IN FIRST SIX MONTHS OF 1977 TO 54.5 PERCENT IN FIRST SIX MONTHS OF 1978. MEXICO'S TRADE DEFICIT WITH THE U.S. NARROWED FROM 5,200 MILLION PESOS TO 2,600 MILLION AS ITS EXPORTS TO U.S. CLIMBED FROM UNCLASSIFIED

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28,100 MILLION PESOS TO 35,200 MILLION. OIL EXPORTS APPEAR TO ACCOUNT FOR MOST OF THE INCREASE.

3. U.S. SHARE OF MEXICAN IMPORTS HAD BEEN CLIMBING SLOWLY SINCE EARLY 1970'S WHEN IT WAS ABOUT 57-58 PERCENT TO 1977 YEAR'S OVERALL HIGH OF 63.7 PERCENT. WE BELIEVE REVERSAL IS PRIMARILY DUE TO GAS PIPE DELIVERIES BY

FOREIGN FIRMS, BUT IT IS POSSIBLE THAT INCREASED FOREIGN COMPETITIVENESS IS A FACTOR AS WELL. JAPAN WAS A MAJOR GAINER AS ITS SHARE INCREASED FROM 6.3 PERCENT TO 9.7 PERCENT (7,230 MILLION PESOS) DUE PRIMARILY TO GAS PIPE DELIVERIES. JAPANESE HAVE BEEN VERY SUCCESSFUL RECENTLY IN OBTAINING CONTRACTS FOR ELECTRICAL AND POWER GENERATION EQUIPMENT; HOWEVER, MOST OF THIS HAS NOT YET ARRIVED. THE EC SHARE INCREASED FROM 16.4 PERCENT TO 20.5 PERCENT AND IS WIDELY DISTRIBUTED AMONG EC MEMBERS. GERMANS HAVE BENEFITED FROM PIPE DELIVERIES BUT FRENCH ARE BIGGEST GAINERS, PROBABLY DUE TO THEIR MAJOR ROLE IN EXPANSION OF MEXICAN SUBWAY SYSTEM; THE FIRST SECTION OF WHICH IS NEARING COMPLETION. EVEN LAFTA INCREASED ITS SHARE FROM 3.3 PERCENT TO 4.2 PERCENT OF MEXICAN IMPORTS DUE, WE BELIEVE, PRIMARILY TO EXPORTS OF ARGENTINE GRAIN. UNFORTUNATELY MEXICAN STATISTICS ON IMPORTS BY COUNTRY BY PRODUCT WILL NOT BECOME AVAILABLE FOR AT LEAST FOUR MORE MONTHS AND HENCE WE CAN NOT FURTHER ANALYSE TREND. ALL THE ABOVE VALUES ARE DRAWN FROM MEXICAN TRADE STATISTICS WHICH DO NOT INCLUDE MAQUILADORA TRADE AND NECESSARILY CAN NOT INCLUDE SMUGGLING WHICH IS EXTENSIVE PARTICULARLY ON IMPORTS.

4. SITUATION WILL BEAR WATCHING BUT WE HOPE THAT RISE IN VALUE OF JAPANESE AND MOST EUROPEAN CURRENCIES WITH REFERENCE TO DOLLAR AND PESO WILL BEGIN TO AFFECT MEXICAN
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IMPORTS OF MANUFACTURED GOODS BY NEXT YEAR. NONETHELESS RAPID EXPANSION OF MEXICAN IMPORTS OF PRODUCER GOODS EXPECTED TO FOLLOW FROM GROWING OIL EXPORT REVENUES WILL NOT AUTOMATICALLY FALL TO U.S. EXPORTERS. WE WILL HAVE TO WORK HARD TO HOLD OUR SHARE. MCANINCH

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